

## Message Text

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ACTION ARA-14

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C O N F I D E N T I A L LIMA 7459

E.O. 11652: GDS  
TAGS: EFIN PE  
SUBJ: GOP INCREASES WAGES

REF: STATE 208605

1. SUMMARY: AUGUST 17, MINISTER OF FINANCE SILVA RUETE, ANNOUNCED AN INCREASE IN PUBLIC AND PRIVATE SECTOR WAGES EFFECTIVE SEPTEMBER 1. DECREE LAWS NO. 22271 OUTLINING PUBLIC SECTOR WAGE INCREASE AND NO. 22272 COVERING THE HIKE IN PRIVATE SECTOR WAGES, WERE PUBLISHED AUGUST 18. PUBLIC SECTOR WORKERS WILL RECEIVE INCREASES RANGING FROM 37.5 PERCENT OF SALARY FOR THE LOWEST PAID WORKERS TO 10 PERCENT OF SALARY FOR THE HIGHEST PAID EMPLOYEES. PRIVATE SECTOR WORKERS' SALARIES WILL RISE BY AN AMOUNT EQUAL TO 28 PERCENT OF THE MINIMUM WAGE APPLIED IN THE LOCATION OF THE EMPLOYER'S HEADQUARTERS IN PERU. THUS, IN THE LIMA/CALLAO AREA, MONTHLY PRIVATE SECTOR SALARIES WILL INCREASE BY S/.1,512 (A LITTLE OVER \$9 AT THE OFFICIAL EXCHANGE RATE). WAGE INCREASES APPEAR ONLY SLIGHTLY HIGHER THAN IMF STANDBY GUIDELINES, WITH THE DISTRIBUTION OF GAINS FAVORING PUBLIC SECTOR EMPLOYEES AND LOWEST PAID WORKERS. END SUMMARY.

2. THE DECREE LAWS STATE THAT WAGE INCREASES ARE PART OF A POLICY OF PROTECTING WORKER PURCHASING POWER AND  
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ADJUSTING WAGES IN ACCORDANCE WITH CHANGES IN COST OF LIVING AND FISCAL LIMITATIONS OF THE GOVERNMENT. PROTECTION OF WAGES OF LOWEST PAID WORKERS IS A PRIMARY CONSIDERATION. FINANCE MINISTER SILVA RUETE ADMITTED THAT INCREASE WAS MINIMAL, BUT CALLED IT AN INDISPENSABLE PART OF THE GOVERNMENT'S ECONOMIC PROGRAM.

3. PUBLIC SECTOR WORKERS' MONTHLY SALARIES WILL INCREASE BY AMOUNTS RANGING FROM S/3,050 (\$18) FOR HIGHEST PAID WORKERS TO ABOUT S/2,000 (\$12) FOR LOWEST PAID WORKERS. THE AVERAGE SALARY FOR A PUBLIC SECTOR EMPLOYEE IS ABOUT S/17,000 PER MONTH. AT THIS LEVEL, THE SALARY INCREASE WILL BE S/1,960, SLIGHTLY MORE THAN 11 PERCENT. WHILE THE INCREASES ARE PROGRESSIVE, THE RISE IN SALARY FOR UPPER LEVELS OF THE PUBLIC SECTOR IS SIGNIFICANTLY HIGHER THAN THE INCREASES DECREED LAST MAY. PUBLIC SECTOR WORKERS APPEAR TO GAIN MORE THAN PRIVATE SECTOR WORKERS ALTHOUGH MOST WORKERS WILL ONLY RECEIVE WAGE INCREASES IN THE 10-12 PERCENT RANGE. COMMENT: THE DIFFERENTIAL IN THE WAGE INCREASES FOR THE PUBLIC AND PRIVATE SECTOR IS AT LEAST PARTIALLY EXPLAINED BY THE FACT THAT PRIVATE SECTOR WORKERS MAY ALSO OBTAIN WAGE HIKE THROUGH COLLECTIVE BARGAINING.

4. PUBLIC SECTOR ENTITIES ARE ALLOWED TO GRANT WAGE INCREASES WHICH DIFFER FROM THE DECREE LAW AS PART OF THEIR INDIVIDUAL PROGRAM OF CUTTING PERSONNEL AND CURRENT EXPENDITURES. BUT THE TOTAL WAGE INCREASE CANNOT EXCEED 50 PERCENT OF THE SAVINGS WHICH ARE REALIZED IN 1978 (BEFORE DEDUCTING FOR SUBSIDY OR INDEMNIZATION PAYMENTS).

5. PRIVATE SECTOR WAGE INCREASES WILL BE INCORPORATED INTO THE BASIC SALARY OF THE WORKER AND WILL BE USED AS THE BASIS FOR OVERTIME PAY, BONUSES, ETC. THE WAGE HIKE IS CONFIDENTIAL

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INDEPENDENT OF INCREASES RECEIVED THROUGH COLLECTIVE BARGAINING OR UNILATERAL ACTION OF THE EMPLOYER. PENSIONS WILL ALSO BE INCREASED BY A SIMILAR MAGNITUDE. THE AVERAGE BLUE-COLLAR INDUSTRIAL WORKER MAKES A MONTHLY SALARY OF S/16,000 - 21,000. THE WAGE INCREASE OF S/1,512 IS EQUAL TO A 7.5 - 10 PERCENT HIKE IN THIS SALARY RANGE.

6. COMMENT: ACCORDING TO REF A, THE IMF PROGRAM ALLOWS AN 8-10 PERCENT AVERAGE WAGE INCREASE FOR THE PUBLIC SECTOR. THE WAGE INCREASES ANNOUNCED BY THE GOVERNMENT ARE ONLY SLIGHTLY HIGHER THAN THIS FIGURE. THE LATEST WAGE INCREASE BRINGS THE TOTAL RISE IN WAGES TO ABOUT 30 PERCENT FOR THE YEAR. GIVEN THE 45 PERCENT RISE IN THE CPI BETWEEN DECEMBER 1977 AND JULY 1978 AND A PROJECTED AVERAGE INFLATION RATE FOR 1978 OF 60-70 PERCENT, THE LATEST WAGE HIKE WILL ONLY MODERATE SLIGHTLY THE CONTINUED SIGNIFICANT DECLINE IN REAL WAGES. LABOR LEADERS HAVE STRESSED THIS POINT IN THEIR STATEMENTS, TERMING THE WAGE INCREASES INSUFFICIENT. SHLAUDEMANN

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## Message Attributes

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